

State of Idaho

Legislative Services Office

Individual Entity Audit Report

A communication to the Joint Finance-Appropriations Committee

**STATEMENT OF
FEDERAL LAND PAYMENTS**

OCTOBER 1, 2006 - SEPTEMBER 30, 2007

**Report OP86007
Date Issued: February 4, 2008**

Serving Idaho's Citizen Legislature

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FOREWORD

PURPOSE AND SCOPE

Department of the Interior requested information concerning the amount of funds received by the State of Idaho and distributed to its counties under various federal programs. We verified these amounts to the records maintained by the State Treasurer's Office, State Department of Education, and the Idaho Transportation Department.

AUDIT AUTHORIZATION

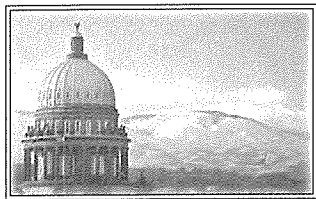
Reported to the Joint Finance-Appropriations Committee as directed by the Legislative Council of the Idaho Legislature, authorized by Idaho Code, Section 67-429.

ASSIGNED STAFF

Sally Fong, Staff Auditor

ADMINISTRATION AND TECHNICAL REVIEW

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Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

January 30, 2008

Honorable C.L. "Butch" Otter
Governor of Idaho
Statehouse Mail

Dear Governor Otter:

We have audited the Statement of Federal Land Payments of the State of Idaho for the period October 1, 2006 through September 30, 2007. Our audit was made in accordance with auditing standards generally accepted in the United States of America and the *Instructions for providing PILT data to the Bureau of Land Management* prepared by the Bureau of Land Management, U.S. Department of the Interior, and accordingly, included such tests of the accounting records and other data, and such other auditing procedures as we considered necessary in the circumstances.

The statement was prepared on the basis of cash disbursements made by the State of Idaho and received by qualified local governmental subdivisions thereof during the period October 1, 2006 through September 30, 2007, under 31 U.S.C. 6901 et. seq. This basis of reporting federal land payments is prescribed by U.S. Department of the Interior Rules and Regulations and is in accordance with the provisions of the October 16, 1978, Comptroller General of the United States' Decision (B-167553). Our tests were made to determine that distributions by the State of Idaho were in compliance with the Idaho Code. We did not include verification of the actual use of the money by the local government units. This statement is not intended to be presented in conformity with generally accepted accounting principles. This report is intended solely for filing with governmental agencies and is not intended for any other purpose.

In our opinion the Statement presents fairly the payments made by the State of Idaho and received by qualified local governmental subdivisions thereof under 31 U.S.C. 6901 et seq., in accordance with the regulatory requirements on the basis of accounting described in the preceding paragraph, which basis has been applied in a manner consistent with that of the preceding year.

Sincerely,

Don H. Berg, CGFM, Manager
Legislative Audits Division

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STATE COMMENTS

There were no comments from State Officials.

STATE OF IDAHO
 STATEMENT OF FEDERAL LAND PAYMENTS
 FEDERAL AGENCY MAKING PAYMENTS AND TYPE OF PAYMENTS
 OCTOBER 1, 2006 THROUGH SEPTEMBER 30, 2007

County	Number	Note 1		USFS Secure School: Title III	USFS Bankhead Jones	Note 2	MMS/BLM Mineral Leasing	Note 4		BLM Bankhead Jones	Note 5	BLM Sales of Material	Note 6	FERC Power Sales	Note 7	FW Refuge Revenue Sharing	Total	Adjust- ments	Recommended For Acceptance
		USF/FS FS/MMS Timber & Sec. Schls Title I (Roads part only)	\$0					\$0	\$0										
Ada	131001001	\$4,467				\$0	\$198	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0	\$4,665	\$0	\$4,665
Adams	131002002	446,751					0										446,751		446,751
Bannock	131003003	23,622					168										23,790		23,790
Bear Lake	131004004	60,042					965										61,007		61,007
Benewah	131005005	73,299					1										73,300		73,300
Bingham	131006006						805										805		805
Blaine	131007007	61,908	15,607				254										77,769		77,769
Boise	131008008	871,800					4										871,804		871,804
Bonner	131009009	883,127					0										883,127		883,127
Bonneville	131010010	94,407	4,760				3,981										103,148		103,148
Boundary	131011011	882,226	33,361				0										915,587		915,587
Butte	131012012	25,439					0										25,439		25,439
Camas	131013013	48,227					0										48,227		48,227
Canyon	131014014						26										26		26
Caribou	131015015	66,864					116,820										183,684		183,684
Cassia	131016016	57,843					133										57,976		57,976
Clark	131017017	86,427	4,358				172										90,957		90,957
Clearwater	131018018	771,151	12,961				82										784,194		784,194
Custer	131019019	108,417	7,744				0										116,161		116,161
Elmore	131020020	658,532	166,016				948										825,496		825,496
Franklin	131021021	43,533					0										43,533		43,533
Fremont	131022022	119,986	25,711				0										145,697		145,697
Gem	131023023	61,007					59										61,066		61,066
Gooding	131024024						0										0		0
Idaho	131025025	3,130,102	78,910				92										3,209,105		3,209,105
Jefferson	131026026						24										24		24
Jerome	131027027						3										3		3
Kootenai	131028028	642,701					0										642,701		642,701
Latah	131029029	219,639	27,686				3										247,328		247,328
Lemhi	131030030	348,328	24,881				0										373,209		373,209
Lewis	131031031						0										0		0
Lincoln	131032032						35										35		35
Madison	131033033	11,811					0										11,811		11,811
Minidoka	131034034						0										0		0
Nez Perce	131035035	1,514					0										1,514		1,514
Oneida	131036036	17,489					38										17,527		17,527
Owyhee	131037037						893										893		893
Payette	131038038						63										63		63
Power	131039039	5,678					4										5,682		5,682
Shoshone	131040040	2,591,783	32,670				30										2,624,483		2,624,483
Teton	131041041	25,060					0										25,060		25,060
Twin Falls	131042042	13,779					44										13,823		13,823
Valley	131043043	1,911,307	48,184				4										1,959,495		1,959,495
Washington	131044044	108,417	9,680				0										118,097		118,097
Total		\$14,476,684	\$492,529	\$0	\$0	\$125,849	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$15,095,062	\$0	\$15,095,062

NOTES TO EXHIBIT I

NOTE #1

NATIONAL FORESTS

Receipts from national forests in FFY 06 totaled \$21,173,506 for Title I, Title II, and Title III projects. Receipts for Title I (\$20,680,977) are split 70% (\$14,476,684) to highway districts and 30% (\$6,204,293) to school districts. The receipts to highway districts are further split, in accordance with Idaho Code, Section 57-1303, between county highway districts (\$10,369,451) and independent districts (\$4,107,233). Receipts for Title III were \$492,529. Funds elected for Title II projects (\$3,205,752) are not received by the State Treasurer.

NOTE #2

USFS BANKHEAD JONES AND FISH AND WILDLIFE REFUGE REVENUE SHARING

These federal payments are made directly to Idaho's county governments. During the period audited, \$4,194 was paid under USFS Bankhead Jones and \$1,209 was paid under the Fish and Wildlife Refuge Revenue Sharing. To the best of our knowledge, there is no State law specifying how FS Bankhead Jones and Fish and Wildlife payments are to be spent by the counties.

NOTE #3

MINERAL LEASING

The federal payment schedule provided by the U.S. Department of Interior reported \$1,221,331 in mineral lease funds. The Idaho State Treasurer's Office reported receipts of \$1,221,331 in mineral leasing, plus an additional \$570 in National Forest and \$1,817 in late interest which totals \$1,223,719.

Pursuant to Idaho Code, Section 57-1306, 90% of these receipts go to the Public School Income Fund. The other 10% goes to the general fund of the counties where the revenue was generated. The following reconciliation shows the distribution for FFY 07.

Reconciliation for FFY 07

Payment Per Federal Schedule and State	
Treasurer Documents	\$1,221,331
Add: National Forest	570
Interest Earned	<u>1,818</u>
Total Received by Treasurer in FFY 07	\$1,223,719
Add: FFY 06 Receipts Distributed in FFY 07	14,577
Less: Current Year Receipts to be Distributed in FFY 08	<u>(11,070)</u>
Total Distributed in FFY 07	<u>\$1,227,226</u>
90% for Public Schools	\$1,099,560
Add: Interest not Subject to 90% Split	1,818
Less: Interest Received in FFY 07, Distributed in FFY 08	<u>0</u>
Total Public Schools	\$1,101,378
10% for Counties	122,341
Add: FFY 06 Payments Made in FFY 07	14,577
Less: FFY 07 Payment Made in FFY 08	<u>(11,070)</u>
Total Counties	<u>\$125,848</u>
Total Distributions for FFY 06	<u>\$1,227,226</u>

NOTE #4

*TAYLOR GRAZING,
SECTIONS 3 AND 15*

This money is deposited by the Office of the State Treasurer and then transmitted to the counties for deposit to the grazing districts pursuant to Idaho Code, Section 57-1201. According to the U.S. Comptroller General's opinion, the grazing districts are single-purpose districts, therefore the funds are not reported in Exhibit I of this report. The total amount transmitted to the county grazing districts in FFY 07 was \$219,145 from the November 27, 2006 federal distribution.

NOTE #5

*BUREAU OF LAND MANAGEMENT
BANKHEAD JONES*

The State does not receive payments under this law.

NOTE #6

*BUREAU OF LAND MANAGEMENT
SALE OF MATERIALS*

This money is deposited to the State Public School Endowment Fund, pursuant to Idaho Code, Section 33-902. The amount received in FFY 07 was \$49,621.

NOTE #7

***FEDERAL ENERGY
REGULATORY COMMISSION
(FERC) POWER SALES***

This money is deposited by the Idaho State Treasurer to the State's General Fund. No specific State or federal statutes govern the disposition of these funds. FERC power sale funds received for FFY 07 totaled \$200,147.

This amount agrees to that shown on Enclosure 2 of the Payment in Lieu of Taxes package, entitled "Prior Year Payments Received by State and Local Governments During the Period October 1, 2006 through September 30, 2007."

EXHIBIT II

Following are the Idaho Code statutes related to the receipt and disbursement of federal land payments in the State of Idaho.

33-902.

**PUBLIC SCHOOL PERMANENT
ENDOWMENT FUND**

(1) There is established in the state treasury the public school permanent endowment fund. This fund is perpetually appropriated for the beneficiaries of the endowment. The fund shall be managed and invested by the endowment fund investment board according to law and the policies established by the state board of land commissioners. The fund principal shall forever remain intact. The fund shall be a permanent fund and shall consist of the following:

(a) Proceeds from the sale of lands granted to the state by the federal government, known as public school endowment lands, and lands granted in lieu of public school endowment school lands;

(b) Lands, money or other property acquired by gift or grant from any person or corporation or under any law or grant of the federal government for general educational purposes;

(c) All other grants of lands or money made to the state from the federal government for general educational purposes where no other purpose is indicated in the grant;

(d) All estates or distributive shares of estates that may escheat to the state;

(e) All unclaimed shares and dividends of any corporation incorporated under the laws of the state;

(f) Proceeds of royalties arising from the extraction of minerals on public school land owned by the state;

(g) Other proceeds and avails as are required by law of the federal government or of the state of Idaho to be made a part of the fund; and

(h) Moneys allocated from the public school earnings reserve fund.

(2) Public school endowment land sale proceeds may be deposited into the land bank fund established in section 58-133, Idaho Code, to be used to acquire other lands within the state for the benefit of the endowment beneficiaries. If proceeds from the sale of public school endowment lands are not used to acquire other lands in accordance with section 58-133, Idaho Code, the proceeds from the sale shall be deposited into the public school permanent endowment fund along with any earnings on the proceeds.

(3) Earnings from the investment of the public school permanent endowment fund shall be distributed according to the provisions of section 57-723A, Idaho Code.

33-902A.

**PUBLIC SCHOOL EARNINGS
RESERVE FUND**

(1) There is established in the state treasury the public school earnings reserve fund. The fund shall be managed and invested by the endowment fund investment board according to law and the policies established by the state board of land commissioners. The public school earnings reserve fund shall consist of the following:

- (a) All earnings of the public school permanent endowment fund;
- (b) Proceeds of the sale of timber on public school endowment lands;
- (c) Proceeds of leases of public school endowment lands;
- (d) Proceeds of interest charged upon deferred payments on public school endowment lands or timber on those lands;
- (e) Earnings on contracts for the sale of timber and the sale of lands related to the public school endowment; and
- (f) All other proceeds received from the use of public school endowment lands and not otherwise designated for deposit in the public school permanent endowment fund.

(2) Moneys shall be distributed out of the public school earnings reserve fund only to support the beneficiaries of the public school endowment, including distributions by the state board of land commissioners to the public school permanent endowment fund and the public school income fund; provided, that funds shall not be appropriated by the legislature from the public school earnings reserve fund except to pay for administrative costs incurred managing the assets of the public school endowment including, but not limited to, real property and monetary assets.

33-903.

PUBLIC SCHOOL INCOME FUND

(1) The public school income fund is that fund in the treasury of the state of Idaho to which are credited the following:

- (a) Moneys distributed from the public school earnings reserve fund and other sources the legislature deems appropriate;
- (b) Proceeds of all state taxes levied for public school purposes;
- (c) Grants of moneys from the federal government for public school purposes when other disposition is not specified by law;
- (d) Ninety percent (90%) of any moneys received by any department of state government from the federal government from sales, royalties, bonuses or rentals of oil, gas or mineral lands;
- (e) Legislative appropriations in support of the public schools, and other moneys required by the law of the federal government or of the state of Idaho to be made a part of and credited to the fund.

(2) Earnings on the investment of idle moneys in the public school income fund shall be paid to the public school income fund.

(3) Moneys in the public school income fund shall be used for the benefit of beneficiaries of the public school endowment and

distributed to current beneficiaries of the public school endowment pursuant to legislative appropriation.

57-1201.

**DISTRIBUTION OF FUNDS TO
COUNTIES BY THE STATE TREASURER**

All funds received by the state of Idaho, as its distributive share of the amounts collected by the United States Government under the provisions of the Congress of June 28, 1934 (48 Stat. 1269) known as the Taylor Grazing Act, and any act amendatory thereof, shall be deposited with the state treasurer. Upon receipt of said money, the state treasurer shall distribute the same to the several counties of the state in which grazing districts, or lands producing such moneys are located, by warrant drawn on the state treasurer. The state treasurer, shall, upon the date this act becomes effective, and annually thereafter, ascertain from the proper United States officers having the records of receipt from grazing permits, the amount of receipts from such sources in the state of Idaho for each year for which money is received by the state of Idaho, keep a separate account of the sums received from lands producing such moneys, and apportion the distributive shares of the same among the several counties in which said grazing district is located; and if any such grazing district lies in more than one county of the state, each such county shall receive such proportionate amount of said sum as the area of said grazing district included within the boundary of such county shall bear to the total area of such grazing district.

57-1202.

**DEPOSIT OF FUNDS WITH COUNTY
TREASURER – GRAZING DISTRICT
TREASURER – WARRANTS
AGAINST FUND**

All money paid to the county or counties in which such grazing district lies, shall be deposited with the county treasurer. The grazing district board of advisors may appoint a grazing district treasurer and the board shall give notice, in writing, to the county treasurer of the appointment. The grazing district board of advisors shall require a bond of the grazing district treasurer and may pay for the same from the fund of the grazing district. The county treasurer shall then pay over to the grazing district treasurer all funds accruing to the grazing district, from time to time, as the county treasurer receives such funds. After payments of the funds to the grazing district treasurer by the county treasurer, the grazing district and the grazing district treasurer shall be liable for such funds and all liability on the part of the state or county or county treasurer shall cease at that time. The grazing district treasurer shall deposit all such funds in a public depository, and shall expend such funds as provided for by law, and shall pay such funds out by checks signed by both the chairman of the board of the district advisors of the district and the district treasurer. In the event the grazing district board of advisors does not appoint a grazing district

treasurer the county treasurer of any county in which a grazing district may be located, either in whole, or in part, shall be the ex officio district treasurer of any grazing district located in whole or in part within such county, and shall be liable upon his official bond for all money deposited in fund designated for that purpose. The county treasurer, as ex officio grazing district treasurer shall pay out such money in said fund upon the warrant of the grazing district located in whole, or in part, in his county, signed by the chairman of the board of district advisors of such grazing district and countersigned by the vice chairman. All moneys paid to any county having lands producing such moneys and not within a grazing district, shall be deposited with the county treasurer in a special fund to be known as "Range Improvement Fund" and expended by the board of county commissioners upon warrants for range improvements and maintenance, predatory animal control, rodent control, poisonous or noxious weed extermination or for any similar purpose in cooperation with the federal government or local livestock men's organizations.

57-1301.

**APPORTIONMENT OF FOREST
RESERVE FUNDS**

It shall be the duty of the state treasurer to receive any and all moneys paid or offered to be paid to him as such treasurer by the treasurer of the United States on account of the moneys received from such forest reserves, under and by virtue of the Act of Congress of June 30, 1906, and to keep a separate account of the sums received from each reserve, and to apportion the distributive shares of the same among the several counties in which such forest reserves are situated in proportion to the area of such reserve in such county, and to pay the same over to the several county treasurers of such counties as soon after the same is received as such apportionment can be made.

57-1303.

**COUNTY APPORTIONMENT OF
FOREST RESERVE FUNDS**

The auditor of each county receiving a portion of this fund shall within ten (10) days of receipt of this money allot and distribute seventy percent (70%) of this money to the county general road fund and to the treasurer of the highway districts and good road districts in the county in proportion to the mileage of each within the county, to be expended for the construction and repair of roads and bridges, and thirty percent (30%) to the various school districts and joint county school districts within the county in proportion to the number of pupils in average daily attendance in each district in the year immediately prior to this distribution. The distribution of such moneys to the respective school districts entitled thereto shall be in addition to and without regard to any assistance to such school districts from any and all other sources in maintaining the minimum educational program and minimum transportation program.

57-1306.

**MINING LEASES IMPACT
FUNDS TO COUNTY**

(1) Upon receipt of any moneys from the federal government from sales, royalties, bonuses or rentals of oil, gas or mineral lands of the federal government, the state treasurer shall remit ten percent (10%) of such receipts to the general fund of the several counties from which the resources were extracted. The state treasurer shall compute a particular county's share of such receipts by computing the proportion of the moneys generated by sales, royalties, bonuses or rentals of federal lands situated within that particular county to the total of moneys received from the federal government from sales, royalties, bonuses or rentals of all oil, gas or mineral lands of the federal government within the state of Idaho for the same period. The moneys remitted to the various counties according to the provisions of this section shall be used for the construction and maintenance of public roads or for the support of public schools.

(2) The remaining ninety percent (90%) of any moneys received from the federal government from sales, royalties, bonuses or rentals of oil, gas or mineral lands of the federal government shall be deposited into the public school income fund, pursuant to the provisions of section 33-903, Idaho Code.

57-1307.

DISTRIBUTION OF REVENUES

All moneys received by the state treasurer under the provisions of chapter 12 and chapter 13, title 57, Idaho Code, for transmittal to other units or departments of government shall be expeditiously paid to the units or departments as soon as distribution information is received from the appropriate agency of the federal government. To accomplish expeditious payment the division of financial management and the state controller shall immediately carry out their duties.

If a payment under the provisions of chapter 12 or chapter 13, title 57, Idaho Code, has been made in error to other units or departments due to erroneous information received from the appropriate agency of the federal government or due to any other reason, the state treasurer shall either make the necessary adjustments in the next distribution to said units or department, or shall expeditiously demand refunds from those units or departments which were overpaid and such units or departments shall pay such refunds expeditiously to the state treasurer.